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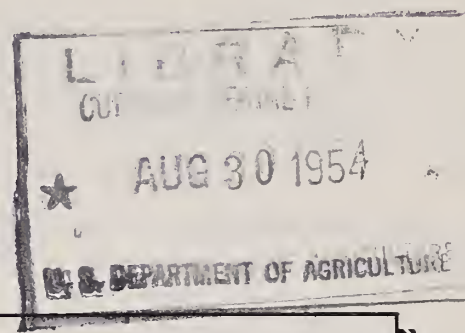
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DEMAND and PRICE SITUATION

WASHINGTON, D. C., AUG. 1954



Approved by the Outlook and Situation Board, August 18, 1954

SUMMARY

Demand for farm products continues strong. Consumer incomes available for spending were at record levels in the first 6 months of the year, and remained high in July. Consumers continued to spend about one-fourth of their income for food. Exports of farm products in the fiscal year beginning July 1, 1953 totaled 4 percent above a year earlier, with exports of most commodities other than wheat well above 1952-53. Shipments in April and May were 14 and 15 percent higher than these months of 1953, and 36 percent higher in June.

Production prospects declined during July for many of the later-growing crops. Searing temperatures and short rainfall were rather general over much of the country, reducing prospects for corn, spring wheat, hay and a few other crops. Cotton appears to have withstood the heat and drought well, and yields of barley, dry beans and peas,

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UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL MARKETING SERVICE

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1953		1954			
		Year	July	Apr.	May	June	July
Industrial production ^{1/}							
Total.....	1947-49=100	134	137	123	124	124	124
All manufactures.....	do.	136	139	125	126	125	126
Durable goods.....	do.	153	157	134	135	135	136
Nondurable goods.....	do.	118	121	115	116	116	116
Minerals.....	do.	116	120	109	111	113	111
Total outlay for new construc- tion ^{2/}	Million dollars	35,256	2,916	3,025	3,066	3,069	3,085
Residential.....	do.	11,930	1,015	1,032	1,081	1,085	1,114
Total civilian employment ^{3/}	Million	61.9	63.1	60.6	61.1	62.1	62.1
Nonagricultural.....	do.	55.4	55.5	54.5	54.3	54.5	54.7
Unemployment.....	do.	1.5	1.5	3.5	3.3	3.3	3.3
Income:							
Nonagricultural payments ^{2/ 4/} #	Bil. dol.	270.0	273.0	269.1	269.7	270.1	
Production-worker payrolls ^{5/} ...	1947-49=100	151.6	151.1	135.0	134.4	136.7	132.8
Weekly earnings of production- workers in manufacturing ^{5/} ...	Dollars	71.69	71.33	70.20	70.74	71.68	70.92
Durable.....	do.	77.23	76.70	75.43	76.21	76.40	76.02
Nondurable.....	do.	63.60	63.76	62.87	63.91	64.74	64.57
Prices:							
Wholesale prices, all com- modities ^{5/}	1947-49=100	110	111	111	111	110	110
Commodities other than farm and food.....	do.	114	115	114	114	114	114
Farm.....	do.	97	98	99	98	95	96
Food, processed.....	do.	105	106	106	107	105	106
Prices received by farmers ^{6/} ...	1910-14=100	258	260	257	258	248	247
Crops.....	do.	242	237	240	249	244	248
Livestock and products.....	do.	273	280	271	267	251	247
Prices paid, interest, taxes and wage rates ^{6/}	1910-14=100	279	278	283	284	282	280
Items used in living.....	do.	270	271	273	276	276	277
Items used in production.....	do.	253	250	256	256	252	247
Parity ratio.....		92	94	91	91	88	88
Consumer price index ^{5/}	1947-49=100	114	115	115	115	115	
Food.....	do.	113	114	112	113	114	
Government purchases of goods and services ^{2/ 7/}	Billion dollars	85.2				78.3	
Federal (Less Government sales)...	do.	60.1				51.3	
State and local.....	do.	25.1				27.0	

Annual data for the years 1929, 1932 and 1935-53 appear on page 31 of the April 1954 issue of the Demand and Price Situation.

^{1/} Federal Reserve Board.

^{2/} U. S. Department of Commerce.

^{3/} Bureau of the Census.

^{4/} Monthly totals seasonally adjusted at annual rates.

^{5/} U. S. Department of Labor, Bureau of Labor Statistics.

^{6/} U. S. Department of Agriculture, Agricultural Marketing Service.

^{7/} Quarterly totals seasonally adjusted at annual rates.

Revised series.

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and some other crops were improved. The net result was a reduction of 5 percent in the volume of all crops from July 1 expectations. Output of livestock and livestock products is expected to total around 4 percent larger than last year.

Prices received by farmers through July of this year averaged about 3 percent below a year earlier. Farmers' cash receipts also were down 3 percent with most of the decline in crop receipts. Prices paid by farmers for commodities, interest, taxes and wages through July averaged 1 percent above a year earlier. With farm product prices slightly lower, the parity ratio for the January-July period averaged 4 percent below a year earlier.

General business activity was fairly stable in July after allowing for usual seasonal declines. Plant shutdowns for summer vacations were widespread in many industries. Automobile production was cut sharply to reduce inventories of new cars and to make model changes. Steel production was reduced to the lowest rate of the year. However, total construction outlays rose in July to a new all-time high. Retail sales were well maintained except for the substantial reduction in sales of automobiles. Total employment rose less than usual in July. Employment in factories declined further but the construction and service industries and retail trade showed increases. Unemployment held at the June level, in contrast to the usual seasonal rise.

Commodity Highlights

Prices of cattle in early August were a little below a year earlier. Prospects are for fed cattle prices to continue close to present levels this fall. Further seasonal declines in grass cattle prices are likely to be moderate. The early seasonal decline in hog prices this year carried prices sharply below a year earlier. Seasonally increasing marketings and declining prices are in prospect, particularly until about mid-October. The reduction in milk output from the peak in early June has been considerably larger than usual this year, mainly because of hot, dry weather during July. Price relationships also have been less favorable for milk production than in the past several years. Egg prices received by farmers in mid-July were 13 cents a dozen lower than a year earlier, and the difference in mid-August probably was at least as large. Supplies of food fats for the crop year beginning October 1, 1954 are expected to be as

large as the record quantity available this year. More soybean oil and lard will be produced but less cottonseed oil. Cash prices for corn and a number of other feeds have strengthened since early July, reflecting the unfavorable weather during July. However, the supply of feed concentrates for 1954-55 still is estimated to be larger than a year earlier and the 1947-51 average. However, supplies per animal unit are about the same as last year and are also near average. Total wheat supplies for the marketing year which began July 1, 1954 are more than 8 percent above the previous record of 1953-54. Prospective domestic disappearance and exports during 1954-55 are slightly smaller than 1954 production, and a further small increase in carryover on July 1, 1955 is expected. Prices received by growers for deciduous fruits in September and October probably will not be greatly different from the levels of these months in 1953. Production in 1954 is expected to total about the same as in 1953. The summer crop of commercial fresh vegetables will be 3 percent smaller this year than last, according to August 1 indications, as a result of unfavorable growing conditions in many areas during July. The packs of commercially processed vegetables also are expected to total smaller this year than last. During the remainder of 1954 prices received by farmers for potatoes are expected to remain well above the low level of a year earlier because of smaller supplies. The 1954 cotton crop was estimated at 12.7 million 500-pound bales as of August 1, about 23 percent smaller than the 1953 crop. The acreage in cultivation on July 1, 1954 was 21 percent below a year earlier, and the estimated yield per harvested acre was down about 3 percent. Wool prices declined slightly at London auctions in July after having advanced gradually during the closing months of the Australian selling season ending in June. The 1954 crop of flue-cured tobacco was indicated as of August 1 to be nearly 5 percent above last year's crop, and total supplies for 1954-55 are expected to be about 4 percent above a year earlier. Increases also were indicated for the 1954 crops of fire-cured and dark air-cured tobacco, but declines are in prospect for Burley and Maryland tobaccos.

AGRICULTURAL ACT OF 1954

The Agricultural Act of 1954 was passed by the Congress on August 17. The Act provides, among other things, that price supports for 1955 crops of basic commodities, with the exception of tobacco, are to be on a flexible scale with the minimum level of support ranging between 82 1/2 and 90 percent of parity depending on supply considerations. The support level for tobacco remains at 90 percent. Supports on dairy products were continued at 75 percent of parity. Wool supports and/or payments are to be at an incentive level in order to encourage increased production and consumption of domestic wool, but shall not exceed 110 percent of parity. Provisions of the Act and how they affect individual commodities will be appraised in subsequent issues of this report.

GENERAL BUSINESS CONDITIONS

General business activity was off seasonally in July and early August from the relatively favorable level of the second quarter. Automobile output was cut sharply, and steel production was reduced to the lowest rate of the year. However, total construction outlays rose to a new all-time high in July, with particular strength in residential housing.

Retail sales were down a little reflecting a reduction in sales of automobiles. Employment rose less than usual, while unemployment continued at the June level in contrast to the usual seasonal increase in July. Wholesale prices shaded off a little from June.

In the second quarter the value of goods and services produced by the United States economy (the gross national product) was at an annual rate of 356 billion dollars after seasonal adjustment. This was about the same as the rate in the first quarter, but 4 percent below April-June 1953. Both consumer incomes after taxes and personal consumption expenditures were at record levels, and fixed capital investment also rose a little during the quarter. Construction outlays rose to new highs, more than offsetting the decline in investment in producers' durable equipment. Industrial production leveled out in May, June and July, slightly above this year's low point.

Consumer Income and Spending

Consumer incomes available for spending were at record levels in the first half of this year. Total income payments were down from mid-1953 but this was more than offset by the lower tax rates that went into effect January 1. The decline in incomes from last year took place primarily in payrolls in the durable manufacturing industries. Wages and salaries in trade and construction industries were higher. Although employment rose less than seasonally in July, personal incomes probably were maintained near the May and June level.

Personal consumption expenditures rose in the second quarter to a new all-time high. Expenditures for both durable and nondurable goods showed small increases, and services continued their upward trend. Retail sales rose in June to the highest point so far this year, largely because of increases in sales of automobiles and apparel. Sales in July, after seasonal adjustment, were about 1 percent below June. Sales of new automobiles weakened considerably, but department store sales were up nearly 3 percent from June and for the second time this year exceeded the comparable month of 1953.

A 600 million dollar increase in use of consumer credit also contributed to the rise in consumer spending during the second quarter. However, in the same period of 1953 total consumer credit outstanding rose nearly 1,500 million dollars. New installment credit extended, after adjustment for seasonal differences, held fairly steady from January through May this year, but was exceeded by repayments. Credit extended rose in June with the sharp increase in automobile sales, and for the first time this year was larger than repayments.

Investment Higher

Total private domestic investment in April-June rose 2 percent from the level of the first quarter as an increase in construction expenditures more than offset a further small drop in outlays for producers' durable equipment. The rate of inventory liquidation continued about the same as three months earlier. Total private investment was down about a fifth from the record of a year earlier largely because of inventory changes.

Construction Activity At Record

Outlays for new construction rose to a new monthly high in July, both before and after adjustment for seasonal differences. The value of new work on private residential building was 10 percent above July last year and the highest for any month since October 1950. The high dollar volume reflected the greater than usual rise in new housing starts in June and the relatively easy mortgage money market. No down payment, 30-year loans guaranteed by the Veterans Administration continue to stimulate new home purchases. In coming months, the new housing bill recently signed by the President makes possible smaller minimum down payments on FHA guaranteed loans and more liberal mortgage terms in other respects.

Expenditures for total private construction and outlays for commercial buildings, churches, schools (private and public), and sewer and water facilities were at an all-time monthly high in July, and also set a new record for the January-July period. Outlays thus far in 1954 also were at a peak for public utilities, private residential building, and highways. Industrial construction held at the June rate during July, but for the year to date is down 7 percent from the same period last year. Outlays for public housing and military facilities thus far in 1954 also are running considerably behind expenditures in the same months last year.

New housing starts in July continued at a relatively high rate, indicating a continued strong outlook for residential construction in the next few months. Also the value of residential construction contract awards has risen steadily this year to successive new highs and in June were 30 percent above a year earlier. Contract awards for other types of construction have been declining since last fall, but rose 8 percent in June. So far this year they have been above the levels for the same months of last year when total construction outlays were nearly as high as this year's record level.

Business Investment

Businessmen's intentions were to invest nearly as much in new plant and equipment in the third quarter as in the second, according to a survey taken in May by the Department of Commerce and the Securities and Exchange Commission. Further declines in capital outlays by manufacturing industries and railroads would be about offset by small increases for the other major industry groups.

Manufacturing and trade inventories at the end of June totaled 78.2 billion dollars, after seasonal adjustment, 2 billion dollars less than at the beginning of the year. During this period last year, inventories rose more than 3 billion dollars. The decline was centered primarily in manufacturing, with stocks of purchased materials dropping the most. Inventories of goods-in-process also were lower, reflecting the cutback in ordering of defense materials. However, manufacturers' stocks of finished goods have continued near last year's high levels. Trade inventories held fairly steady during the first 5 months of 1954, but retail stocks declined in June as curtailed output and increased sales

further reduced stocks of new automobiles. Stock-sales ratios for durable manufacturers were smaller at the end of June than at the beginning of the year, but remained above year ago levels. Stock-sales ratios for retail durable goods stores also were lower than at the beginning of the year, reflecting both the drop in stocks during June and the pick-up in sales. Stock-sales ratios for both manufacturers and retailers of nondurables held steady during these months at about the same levels as last year. Inventory liquidation may continue in the third quarter, as stocks of new cars are reduced further before the beginning of the new model year.

Government Spending Lower

Total government spending in the second quarter declined more than 4 percent from the first, with sharp reductions in both purchases for defense and other Federal Government outlays. Expenditures by State and local Governments held at about the level of the previous quarter. Preliminary data for July indicate a further decline in defense outlays by the Federal Government, but spending by State and local Governments was higher, reflecting record construction of schools, highways, sewers and water facilities. Expenditures by State and local Governments probably will continue to rise.

Production and Employment

The Federal Reserve Board index of industrial production held at 124 (1947-49=100) in May, June and July, only slightly above the 1954 low. Durable goods production in July totaled slightly above June, reflecting mainly further strength in output of major household durables. Television set production showed much less than the usual decline, partly because important work stoppages were terminated. Automobile production was sharply curtailed in both June and July and probably will be further reduced in August and September, in order to reduce the relatively large stocks of new cars and to make model changes. The steel industry operated at its lowest rate for the year in July, and operations continued low in August.

Nondurable goods output remained at the level of the 2 previous months. Activity in the paper and chemicals industries continued strong, but output of crude petroleum and refinery products was cut back in response to heavy stocks.

Manufacturers' sales of nondurables in June were up nearly 2 percent from the May seasonally adjusted rate, with advances in deliveries by most major industry groups except textiles, apparel, and beverages. There was a small increase (after seasonal adjustment) in new orders received by manufacturers of nondurables, who usually make shipments upon receipt of orders. Sales by durable goods manufacturers were virtually unchanged from May as a small drop in deliveries of transportation equipment producers offset minor increases elsewhere. New orders for durables declined a little during the month. Order backlogs continued their downtrend, and at the end of June were a third lower than a year earlier.

Employment Steady

Employment in July continued at the June level of 62.1 million. Nonagricultural employment rose less than seasonally, and the number of farm workers declined more than usual but about the same as last year. Employment in manufacturing industries declined a little further in July mostly in the durable goods industries. The number of unemployed remained the same as in June, although it usually rises in July. The total of 3,346,000 was about double that of July 1953.

Commodity Prices

The all commodity index of wholesale prices in early August was about the same as in mid-July. Prices for farm products and processed foods shaded off, but industrial prices averaged about the same. The consumer price index for urban families rose 1/10 of 1 percent from May to June because of a small increase in prices for food. Most other major groups held steady during the month. The index of prices paid for rural family living items rose to a new high in mid-July. All components of the index except autos and auto supplies were somewhat higher than in June.

Table 1.- Indexes of wholesale prices, selected groups
August 10, with comparisons

Group	(1947-49 = 100)			August 10, 1954		
	Aug. 10,	July 13,	Aug.	percentage change from		
	1954	1954	1953	July 13,	Aug.	
				1954	1953	
<u>Wholesale prices</u>						
All commodities.....	110.2	110.2	110.6	0	-	.4
Farm.....	95.6	95.9	96.4	- .3	-	.8
Food, processed.....	105.2	105.6	104.8	- .4		.4
All other than farm and food.....	114.3	114.2	114.9	.1	-	.5

AGRICULTURE: Current Developments

Total demand for farm products continues strong. Incomes available to consumers were at record levels in the first 6 months of this year. And consumers continued to spend about one-fourth of their income for food. The value of U. S. exports of agricultural products in the fiscal year beginning July 1, 1953 totaled 4 percent above the preceding year. Exports of cotton, tobacco, and other agricultural nonfoods were higher but exports of grains, particularly wheat, were lower. Exports rose sharply in the last 3 months of the fiscal year, totaling 14 and 15 percent higher than the comparable months of a year earlier in April and May, and 36 percent higher in June.

Production prospects, based on August 1 conditions, point to a farm output this year about 2 percent less than the record output in 1953. Production of livestock and livestock products may be up around 4 percent from 1953. However, production prospects declined during July for many of the later-growing crops. Searing temperatures and short rainfall were rather general over much of the country. Corn production prospects declined 15 percent during the month; and spring wheat, hay, soybeans, and a few other crops also suffered some damage. On the other hand, cotton appears to have withstood adverse conditions well; and yields of barley, rice, dry beans and peas, tobacco, sugar beets, and some other crops improved. The net result was an aggregate volume of all crops about 5 percent less than expected on July 1. The composite yield index of all crops also fell 5 percent. Near the end of July and in early August, rains brought partial relief and the hope that the drought may be broken. While damage to some crops was largely irreparable by August 1 in the most seriously affected sections, August rains will encourage planting and growth of emergency late feed crops.

Farm Prices

The index of prices received by farmers declined 1 point during the month ending July 15, to 247 percent of the 1910-14 average. Price declines registered by beef cattle, hogs, and deciduous fruits were nearly offset by higher prices for commercial vegetables, milk, wheat, and eggs. Prices paid, interest, taxes, and wage rates declined 2 points to 280, largely because of lower prices for feed and feeder livestock. The parity ratio remained at 88, 6 points below a year earlier.

Central market prices for major farm products in early August showed mixed movements from mid-July. Average weekly prices at Chicago for barrows and gilts and slaughter steers showed little change, but utility cows were up 4 percent. A popular grade of Midwestern eggs also averaged about the same as in mid-July. No. 2 Yellow soybeans at Chicago on August 13 were 7 percent below mid-July, and flaxseed at Minneapolis was down about 4 percent. The 10-market average for Middling 15/16 inch cotton was off 1 percent. However, the price for No. 3 Yellow corn at Chicago had risen 4 percent and No. 2 Hard Winter wheat at Kansas City, more than 1 percent over the period. Del-Mar-Va broilers were up 2 percent.

FARM INCOME

Farmers received about 14.9 billion dollars from marketings in the first 7 months of 1954, down 3 percent from the corresponding period last year. Lower average prices accounted for this decline. Receipts from livestock and products were about 9.6 billion dollars, only 1 percent below a year ago. An increase in receipts from hogs did not quite offset declines for chickens, eggs, milk, and butterfat. Crop receipts for the 7-month period were 5.3 billion dollars, down 5 percent from last year, with the largest declines in cotton and vegetables.

Table 2 - Indexes of prices received and paid by farmers
July 15, 1954 with comparisons

Group	(1910-14 = 100)				
	July 15,	June 15,	July 15,	July 15, 1954	
	1954	1954	1953	percentage change from June 15, 1954 : July 15, 1953	
All farm products	247	248	260	<u>1/</u>	-5
Crops	248	244	237	2	5
Food grains	225	216	218	4	3
Feed grains and hay	202	205	204	-1	-1
Cotton	272	274	270	-1	1
Tobacco	446	445	426	<u>2/</u>	5
Oil-bearing	286	283	268	1	7
Fruit	228	240	193	-5	18
Commercial vegetables for fresh use	243	200	252	22	-4
Potatoes, sweetpotatoes and dry edible beans	228	227	192	<u>2/</u>	19
Livestock	247	251	280	-2	-12
Meat animals	286	299	319	-4	-10
Dairy products	237	229	261	3	-9
Poultry and eggs	171	168	223	2	-23
Wool	309	310	303	<u>1/</u>	2
Prices paid, interest, taxes and wage rates	280	282	278	-1	1
Items used in family living	277	276	271	<u>2/</u>	2
Items used in production	247	252	250	-2	-1
Parity ratio	88	88	94	0	-6

1/ Less than 0.5 percent decrease.

2/ Less than 0.5 percent increase.

Total receipts in July of approximately 2.4 billion dollars were 12 percent above June and about the same as in July of 1953. Average prices were about the same as in June and 5 percent below July a year ago. Receipts from livestock and products were about 1.3 billion dollars, 4 percent lower than in June because of declines in receipts from milk and eggs. They were down 7 percent from July 1953, largely because of smaller receipts from hogs, chickens, eggs, butterfat, and milk. Crop receipts in July were around 1.1 billion dollars, 40 percent above June with seasonally larger receipts from wheat, oats, cotton, potatoes, apples, cherries, and peaches. They were about 8 percent above July of last year, largely because of increases in receipts from cotton, soybeans, potatoes, peaches, and pears.

LIVESTOCK AND MEAT

Meat production during July and early August was about 6 percent greater than a year ago with each of the red meats sharing in the increase. For the first time in over a year, hog slaughter and pork production was greater than in the corresponding period a year earlier, as early-farrowed spring pigs moved to market in volume. Cattle and calf slaughter rose seasonally during July and continued somewhat above the 1953 rate. Sheep and lamb slaughter was about 10 percent above year-earlier levels, as a result of a 3 percent larger lamb crop and earlier movement to market. Hot, dry weather in much of the Central Corn Belt, Central and Southern Plains and the Southwest contributed to the increase in livestock slaughter.

Under pressure of large marketings meat animal prices have been steady to lower. Prices of cattle in early August were a little below a year earlier. Prospects are for fed cattle prices to continue close to present levels this fall. Further seasonal declines in grass cattle prices, are likely to be moderate.

The early seasonal decline in hog prices this year carried prices below a year earlier. Seasonally increasing marketings from the 13 percent larger spring pig crop and declining prices are in prospect, particularly until about mid-October. Hog prices will continue below prices a year ago.

Prices for lambs have shown a marked weakness. More sheep and lambs are being slaughtered than last year. Apparently the number on farms is being reduced this year. There is little prospect of substantial price recovery until the fall marketing season is past. However, a fairly firm demand for feeder lambs, following last season's above-average profits for most feeders, would be a supporting factor.

Reduced feeder cattle prices last fall together with steady prices for fed cattle this spring and summer brought greater profits than usual to most cattle feeders during the past season. Cattle feeders are paying about the same price for feeder steers as last fall but current price margins between feeder and fat steers are narrower. The likelihood is for profit margins for feeding the coming season to be somewhat less than the past year but considerably larger than the low returns in 1952-53.

DAIRY PRODUCTS

The decline in milk output from the peak in early June has been considerably larger than usual this year, mainly because of hot, dry weather during July. Price relationships also have been less favorable for milk production than in the past several years. With this decline in output, production of butter and cheese has declined and purchases by USDA have dropped sharply.

Production of milk was at an annual rate of considerably less than 120 billion pounds in July compared with 120 in June, as much as 130 billion last winter and early spring, and 116 billion in July 1953. The mid-year report on cow numbers indicates the number of milk cows on farms

in June was 1.4 percent greater than a year earlier, though about equal to the December 1953 level. However, the proportion of cows not milked in the past two months increased more than in the same periods of other recent years. This indicates the likelihood of a further increase in the proportion of cows freshening in early fall. Total milk flow in the rest of 1954 probably will be close to a year earlier and output for the year as a whole probably will be around 125 billion pounds compared with 121.2 billions in 1953.

Despite a decline of about one-fifth in milk prices the past two years, the number of milk cows on farms has increased 5 percent. The decline in dairy prices in the past 12 months, though less than in the preceding year, was greater than the declines for most cost items and the prices of competing products. In a number of States where better alternatives, such as hogs, were readily available, the number of milk cows declined in the past year. But in areas where dairy is the main source of farm income, numbers generally increased.

Retail prices for all dairy products continued to decrease from pre-April 1 levels and are below a year earlier.

Total USDA purchases under price support have been smaller so far this marketing year than last. This reflects in part some increase in storage holdings by commercial firms, following their decrease to a minimum at the close of the 1953-54 price support program on March 31. Recently, moreover, there has been a reduction in output of milk, butter and cheese. Effective July 12 the purchase prices for cheese and non-fat dry milk were raised to bring actual prices for manufacturing milk up to the announced support objective.

POULTRY AND EGGS

The U. S. average egg price received by farmers in mid-July was 34.4 cents per dozen, compared with 47.7 cents a year earlier. More recent comparisons of specific grades at important markets indicate that in mid-August the difference from last year was at least as great. July production of eggs on farms was 3 percent above a year earlier. The number of layers was up percent but rate of lay declined 1 percent.

Because of the large number of replacement chicks hatched early this year, egg production in the next few months will considerably exceed last year. However, the number of late-hatched pullets is below the 1953 rate of replacement, and egg production in the first few months of 1955 is likely to exceed a year-earlier by a much smaller percentage than in the fall and early winter.

This summer, prices received by farmers for farm chickens have been the lowest since 1942. The mid-July U. S. average was 17.3 cents per pound while the average for the West North Central States was as low as 11.6 cents. The consumer preference for specialized broilers, and high storage stocks of fowl (on August 1, 27 million pounds, 63 percent above last year) are factors in the low prices.

Broiler prices have firmed slightly in recent weeks, but are still short of year-ago levels. The mid-July average price, 25.4 cents, was 1.2 cents higher than a month earlier, but 2.8 cents below a year earlier. Broiler mash meanwhile was 2 percent higher than July 1954, although 1 percent lower than in mid-June.

Volume marketings of heavy turkeys are beginning from the record or near-record 1954 crop. Prices so far have been considerably below last year. At this time of year consumption for turkeys is usually seasonally low and storage demand is slow. Later in the year, consumption increases, and storage is more readily undertaken when demand for the holidays can be better estimated. In the San Joaquin Valley of California, mid-August quotations to farmers were 27-28 cents per pound for heavy-type hens, and 25 cents for toms, and the Shenandoah Valley (Virginia) price for light-breed turkeys was 26-27 cents. Corresponding year-ago prices were 32, 30½-31, and 32-33 cents, respectively.

FATS, OILS AND OILSEEDS

Supplies of food fats for the crop year beginning October 1, 1954 are expected to be as large as the record total of this year. Beginning stocks (most of which will be owned by CCC) and production will be about the same as a year earlier. More soybean oil and lard will be produced but cottonseed oil output will drop. Production of butter is expected to remain about the same as a year earlier.

The 1954 soybean crop, based on reports as of August 1, is estimated at a record 304 million bushels. The acreage planted was a record but the estimated national average yield is lowest since the 1947 crop--the result of hot dry weather. The crop is about 15-20 percent below what would have been expected with average growing conditions. Prices based on the indicated level of production are expected to average above the national average farm support price of \$2.22 per bushel.

Output of cottonseed, based on the expected production of cotton lint, may be about 5,201 tons, 23 percent less than a year earlier. The drop reflects acreage allotments and marketing quotas. Prices received by farmers probably will be moderately above the support level of \$50 per ton to the farmer.

Production of peanuts is estimated at 1,268 million pounds, the lowest since 1939. The crop will be about equal to estimated food and farm uses and the only peanuts crushed for oil will be those which do not meet standards for other uses. Prices will average near support.

Output of flaxseed is placed at 46 million bushels, 9 million more than last year, and will be in excess of expected commercial use. A substantial portion of the crop will be delivered to CCC and prices are likely to average near support.

CORN AND OTHER FEED

Prospects for 1954 feed crop production deteriorated during July as hot, dry weather damaged feed grain and hay crops over wide areas of the country. Supplies of feed grains and forages are again short in Missouri and Kansas and in many of the southern and Great Plains States. The condition of farm pastures on August 1 averaged only 59 percent of "normal," the lowest for that date since 1936.

The 1954-55 supply of feed concentrates, including grains and by-product feeds, is now estimated at 175 million tons, 4 million more than last year and 10 million above the 1947-51 average. Allowing for the prospective increase in grain consuming livestock, the supply per animal unit would be about the same as last year and also near the 1947-51 average. The carryover of feed grains into 1954-55 is expected to be a little above the record of 1950-51. Production of the 4 feed grains was estimated in August at 116 million tons, 15 million tons less than was indicated on July 1, but only slightly smaller than in 1953 or the 1947-51 average. With livestock production increasing, feed requirements are expected to be greater in 1954-55 and the carryover of feed grains may be somewhat smaller at the close of the 1954-55 season than at the beginning.

The corn crop was hardest hit by hot, dry weather in July. Based on August 1 indications, a crop of 2,824 million bushels is in prospect, 353 million less than in 1953 and the smallest crop since 1947. Including the prospective record carryover of around 900 million bushels, the total corn supply would be a little over 3.7 billion bushels, about 200 million less than in 1953-54, but a little above the 1947-51 average. Based on August 1 prospects, supplies of oats and barley are much larger than in 1953 and above average. Sorghum grain yields were again reduced by drought, but production is estimated to be larger than in the past 2 years.

Central market prices of corn and a number of other feeds have strengthened since early July, reflecting less favorable prospects for the 1954 corn crop and relatively small supplies of "free" corn. Oats and barley prices declined seasonally from May to mid-July with the harvesting of the big 1954 crops, and average prices received by farmers in mid-July were the lowest since 1949. Corn prices are high relative to prices of oats and barley this summer and are expected to continue so, at least until the 1954 crop is available this fall. Prices of soybean meal, tankage, and meat scraps in July were much higher than a year earlier, reflecting increased demand from hog and poultry producers and currently short supplies of soybean meal. Soybean meal prices have been unusually high relative to other high-protein feeds this summer, but are expected to be relatively cheaper this fall if the 1954 soybean crop is as large as indicated in August.

WHEAT

Total wheat supplies for the marketing year which began July 1, 1954 are now estimated at about 1,884 million bushels. This consists of the carryover July 1, 1954 of 903 million bushels, the crop estimated as of August 1 at 978 million, and likely imports of perhaps 3 million

bushels of wheat, mostly of feed wheat. This is $8\frac{1}{2}$ percent above the previous high of 1,736 million bushels in 1953-54. Domestic disappearance in 1954-55 is indicated at about 660 million bushels, which would leave about 1,224 million bushels from the total supply for export and carryover. If exports total about the same as the 216 million bushels in 1953-54, about a billion bushels would be left for carryover on July 1, 1955--about 100 million bushels more than the record high carryover on July 1, 1954.

The approval of marketing quotas by wheat farmers in the national referendum on July 23 is expected to result in a 12 percent reduction in the acreage seeded for harvest as grain for the 1955 crop. Assuming that the plantings will approximate the national allotment of 55 million acres and assuming yields per seeded acre at the 1943-52 average, a crop of about 850 million bushels would be produced in 1955.

The 850 million-bushel figure is not a forecast of production in 1955. The figure is based on the assumption that yields would be average and that farmers would comply with acreage allotments about as they have in past years when marketing quotas were in effect.

Domestic disappearance in the 1955-56 marketing year is not expected to differ much from the 660 million bushels estimated for 1954-55. At this time, exports can not be forecast with any degree of certainty. Supplies probably will continue large in the major exporting countries, which will tend to reduce demand for United States wheat. On the other hand, intensive effort is being made to maintain our level of exports.

Domestic use in 1955-56 at 660 million bushels and exports at about the 1953-54 level of 216 million bushels would result in a total disappearance of about 875 million bushels. If these possibilities were realized, the build-up in our carryover stocks would be stopped, and might even be slightly reduced in 1955-56.

Price support will be available on the 1955 crop to farmers who (1) comply with their wheat acreage allotments, (2) also comply with any other crop allotments established for their farms in 1955, and (3) stay within a "total acreage allotment" for the farm, if more than 10 acres on a farm are diverted from allotment crops.

On August 17 Congress enacted and sent to the President the Agricultural Act of 1954 which established flexible price supports between $82\frac{1}{2}$ percent and 90 percent of parity. Under the legislative provisions, prices for the 1955 crop may be supported at $82\frac{1}{2}$ percent of parity because of the large supply. On the basis of the reported July parity of \$2.49, this would be \$2.05, which compares with \$2.24 for the 1954 crop.

FRUIT

Prices received by growers for most deciduous fruits in September and October probably will not be greatly different from the level of these months in 1953. However, prices of fresh prunes may average somewhat higher since market supplies probably will be smaller in late summer than a year earlier. Demand for fruit for processing as well as for fresh use is expected to continue good.

With supplies of California Valencia oranges remaining to be harvested much smaller than a year ago, prices for this fruit are expected to continue considerably higher than in September and October 1953. But prices for the larger remaining supplies of lemons probably will average lower. Seasonally, supplies of grapefruit will be light and prices high until new-crop grapefruit from Florida reaches the market in volume in October. Prospects for the 1954-55 citrus crops are generally good.

Deciduous fruit production in 1954 is expected to total about the same as in 1953 but 8 percent under the 1943-52 average. Prospective production of apples and dried prunes is larger than in 1953, that of pears is about the same, and that of other major fruits is smaller. Most of the increase in apples is in the Appalachian area and adjacent States. Production of Bartlett pears in California is much larger this year, while output of winter varieties in Oregon and Washington is considerably smaller. Total production of tree nuts is expected to be about 3 percent smaller than in 1953 as a result of a sharp reduction in pecans more than offsetting large increases in almonds, filberts, and walnuts.

The 1954 packs of dried and canned deciduous fruits probably will be much the same as in 1953. Output of frozen deciduous fruits and berries is expected to be somewhat smaller than in 1953. But the Florida packs of frozen and canned citrus juices, made from the 1953-54 crops, are substantially larger than a year ago. Consumption of frozen orange concentrate and frozen concentrate for lemonade continues considerably above rates in 1953, at retail prices not greatly different from a year ago.

COMMERCIAL VEGETABLES

For Fresh Market

Unfavorable growing conditions in many areas during July reduced production prospects for summer crops from the level anticipated at mid-year. According to indications as of August 1, the summer crop of commercial fresh vegetables will be 3 percent smaller this year than last, but 3 percent above the 1949-52 average. Among the major items, increases over a year earlier are in prospect for cantaloups, carrots, celery, green peppers, lettuce, and watermelons. But these increases are expected to be more than offset by the reduced summer crops of snap beans, cabbage, sweet corn, honey dew melons, onions, and tomatoes. With consumer demand expected to remain relatively strong, the average of prices received by farmers for commercial vegetables for fresh sale during the next month or so should be no lower than a year earlier, if the marketing pattern is normal.

The index of prices received by farmers during mid-July for commercially grown vegetables for fresh market sale was 243, about 22 percent higher than a month earlier but almost 4 percent below that for mid-July 1953. This was the fifth time since 1924, that the index in July was higher than that in June. For 10 out of the 15 vegetables included in this index, prices were higher than a month earlier. Among these 10 items the price increase between mid-June and mid-July for celery, cucumbers, green peppers, and tomatoes was counter to the usual seasonal downturns during the past 20 years or so.

For Commercial Processing

The packs of commercially processed vegetables are expected to total smaller this year than last. For the 6 of the 11 processing vegetables for which production indications were available as of early August, output probably will be 16 percent smaller this year than last. These 6 vegetables usually account for 90 percent of the total vegetable crop for commercial processing for which official production estimates are made.

The crop of snap beans for commercial canning and freezing was estimated at 10 percent larger this year than last, but declines were in prospect for green peas, 4 percent; winter-and spring-season spinach, 15 percent; sweet corn, 12 percent; tomatoes, 21 percent; and cabbage for kraut (contract), 22 percent.

POTATOES AND SWEETPOTATOES

Production prospects as of August 1 point to somewhat smaller supplies of potatoes during the remainder of 1954, than a year earlier. The intermediate crop is expected to be down 18 percent from that of 1953 and production in the late States--the major segment of the year's crop--down by 5 percent. During the remainder of 1954, prices received by farmers for potatoes are expected to remain well above the low level of a year earlier.

Supplies of sweetpotatoes during 1954-55 will be much smaller than during the preceding marketing year. As of August 1, indications were for a crop totaling 30,939 thousand bushels, 9 percent smaller than last year's and the third smallest since 1881. Prices received by farmers for 1954 crop sweetpotatoes are expected to average at least equal to those for the 1953 crop even though they were substantially lower than a year earlier during the first half of July. In 1953 sweetpotato prices declined more than 40 percent between mid-July and mid-October. A much smaller decline is expected for this year.

COTTON

The August 1 estimate of the 1954 cotton crop was 12.7 million 500-pound bales, approximately 23 percent smaller than the 1953 crop. The acreage in cultivation on July 1, 1954 was 21 percent below a year earlier, and the United States average yield at 313.5 pounds per harvested acre was below the record 324.2 pounds last year.

The yield per harvested acre in 1954 is above that for 1953 in all areas except the Southwest (Texas and Oklahoma) where it is expected to decline about 11 percent. The West is expected to have the largest increase, about 14 percent. The West had the largest reduction in acreage and the Southwest had the smallest.

On July 27, it was announced that Greenville, South Carolina and Greenwood, Mississippi are now designated as bona fide spot markets. This makes a total of 14 such markets. Other recent additions were Lubbock, Texas and Fresno, California. The Department of Agriculture now

publishes quotations for the original 10 spot markets and for the 14 spot markets. The average price quotations for the 14 and the 10 spot markets show a slight difference, but the 14 market average is considered more representative of the entire cotton belt. From August 2 through August 13 the average 14 spot market price for Middling, 15/16 inch cotton was 34.12 cents per pound and the average 10 spot market price was 34.27 cents. For approximately the same period a year earlier the average 10 spot market price was 33.07 cents.

On July 30, it was announced that the CCC loan rate for 1954 crop Middling, 7/8 inch cotton at average location is 31.58 cents per pound. The rate for Middling, 15/16 is 33.23 cents per pound. These loan rates compare with 30.80 and 32.70 cents per pound, respectively, for the 1953 crop. At the 10-spot markets the loan rate for Middling, 15/16 inch cotton averages 33.54 cents, compared with 32.99 cents per pound for the 1953 crop. The average at the 14 spot markets for 1954 is 33.46 cents per pound.

WOOL

Wool prices in world markets advanced gradually during the closing months of the Australian selling season ending in June, but prices declined slightly at the July London auctions. World wool consumption in the first quarter of this year, though moderately below the high level of early 1953, was at an annual rate about equal to estimated production during the 1953-54 season. Indications are that the annual rate during the second quarter was the same as or slightly higher than that of the first quarter.

Prospects are for a slight increase in world wool production during the 1954-55 season. Total stocks probably are not greatly different from a year ago.

Use of apparel wool by mills in the United States increased gradually during the early months of this year, following the sharp decline in the closing months of 1953. Some further improvement appears likely. Indications are that inventories of wool products in manufacturing and distribution channels are now down to better working levels in relation to sales. The proportion of wool, and blends of wool and other fibers used in some apparel items has increased.

In the United States, wool production is expected to be nearly the same as last year. The shorn wool clip is estimated at less than 1 percent below last year.

Stocks of apparel wool, including CCC holdings, in the U. S. at the end of the first quarter were reported to be about one-tenth below a year earlier. CCC holdings accounted for about 30 percent of the total. Compared with the rate of mill use early this year, however, they were the highest since 1948. Manufacturers' holdings were over one-fourth lower than a year earlier and the lowest since 1940. Relative to the rate of consumption, they were only slightly higher than a year earlier. A large part of the domestic clip has moved out of growers' hands into manufacturing channels. Some CCC-owned wool has been sold in recent months.

Imports of dutiable wool began to decline early last year and during January-May of this year were about half of those of a year earlier. Imports of wool entered duty-free for use in the manufacture of floor coverings and certain other items also were lower than a year earlier.

The average of prices received by United States growers at mid-July was slightly above a year earlier. The mid-month average has been a little above the national average support level each month so far this season. Wool prices probably will remain relatively stable the next few months. The average of prices received by domestic producers for shorn wool during the current marketing season probably will not be greatly different from last season.

The rate of carpet wool consumption in the U. S. trended downward during the first 5 months of this year. The total for the period was one-fourth below a year earlier. Stocks of carpet wool at the end of the first quarter were almost a third below a year earlier. Both in total and relative to the rate of consumption, they were the lowest since before World War II.

TOBACCO

The fairly strong demand for flue-cured tobacco is expected to continue. Auctions began in Georgia-Florida (type 14) in mid-July and in the border South Carolina and North Carolina (type 13) in early August. Early season indications are that prices for most grades are averaging slightly below the previous year, and through mid-August, prices averaged 49 and 51 cents per pound on the type 14 and type 13 markets, respectively, compared with 51 and 53 cents in the approximately similar periods of 1953. Markets in belts farther north will open during the last half of August and in early September. As of August 1, the crop was indicated to be nearly 5 percent above last year's crop. The carryover of flue-cured on July 1 was 3 percent larger than a year earlier and the total supply for 1954-55 is about 4 percent above 1953-54.

Flue-cured is one of the main tobaccos used in domestic cigarettes and is also the predominant export class. In the year ending June 30, indicated tax-paid withdrawals of cigarettes totaled 378 billion--5 percent less than the record of 1952-53. Exports of flue-cured, at 431 million pounds (farm sales weight), increased by nearly 4 percent from 1952-53 to 1953-54.

Auction sales of 1953 Maryland tobacco, also primarily a cigarette type, closed on August 6 and the season average, at 53½ cents per pound, was 7 percent higher than for the previous season. The 1954 Maryland crop as of August 1 was indicated as being 7 percent smaller than the 1953 crop.

As of August 1, the production of Burley was indicated at 4 percent less than last year's crop while increases of 16 and 8 percent were indicated for fire-cured and dark air-cured tobacco. Increases were also indicated for most types of cigar tobacco.

The tax-paid withdrawals of cigars during the year ending June 30 were about 1 percent lower than in 1952-53. Output of smoking and chewing tobacco were down 10 and 1 percent but snuff gained over 2 percent compared with 1952-53.

In the 1953-54 fiscal year, exports of all types of tobacco combined were 2 percent above 1952-53. Increases occurred in flue-cured, Maryland, and Black Fat (semiprocessed from dark air-cured and fire-cured tobacco) but less Virginia and Kentucky-Tennessee fire-cured, One Sucker, and cigar tobacco were exported than in 1952-53. The 1953-54 exports of Burley and Green River were about the same as in the previous year.

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